

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

KNEOMEDIA LIMITED

ABN

41 009 221 783

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | <ol style="list-style-type: none">1. Fully paid ordinary shares (Shares)2. Options to acquire fully paid ordinary shares (Options) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <ol style="list-style-type: none">1. 58,000,286 Shares2. 32,000,143 Options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <ol style="list-style-type: none">1. The Shares are of the same class and rank equally with all other shares on issue.2. The Options are exercisable at \$0.025 each on or before 5.00pm (Melbourne time) on 3 May 2018. |
| 4 | Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?
If the additional +securities do not rank equally, please state: <ul style="list-style-type: none">• the date from which they do | <ol style="list-style-type: none">1. The Shares are of the same class and rank equally with all other shares on issue.2. The Options will not be quoted or rank equally with any class or quoted securities. However, shares issued on exercise of the Options will rank equally with all other |

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<ul style="list-style-type: none">• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	ordinary shares then on issue in the Company.
5 Issue price or consideration	<ol style="list-style-type: none">1. The 58,000,286 Shares are issued to professional and sophisticated investors for \$0.014 per Share (total consideration: \$812,004) under a capital raising placement which was announced to the market on 27 April 2016 (Placement).2. Options<ul style="list-style-type: none">▪ 29,000,143 of the Options are issued for nil consideration as free attaching options to the Shares issued under the Placement, on a 1-for-2 basis.▪ 3,000,000 of the Options are issued for \$0.0001 per Option (total consideration: \$300) to the nominee of the broker who facilitated the Placement.
6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<ol style="list-style-type: none">1. The 58,000,286 Shares are issued to raise funds under the Placement. The funds raised will be applied to reduce KNeoMedia's convertible note debt by \$250,000, with the balance to be used for working capital and to fund the strategic channel marketing of the Company's edutainment products in key regions.2. Options<ul style="list-style-type: none">▪ 29,000,143 of the Options are issued as free attaching options to the Shares issued under the Placement, on a 1-for-2 basis in accordance with the terms of the Placement.▪ 3,000,000 of the Options are issued to the nominee of the broker who facilitated the Placement in accordance with the Company's Mandate Agreement with the broker.

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<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>19 November 2015</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>32,000,143 Options</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>8,000,286 Shares</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>50,000,000 Shares issued with shareholder approval obtained at the Company's Extraordinary General Meeting held on 15 March 2016.</p>
<p>6f Number of +securities issued under an exception in rule 7.2</p>	<p>N/A</p>
<p>6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.</p>	<p>Yes, the issue price of the securities issued is at least 75% of the 15 day VWAP. The issue date is 3 May 2016. The VWAP as calculated under rule 7.1A.3 is \$0.0162 and the issue price is \$0.014, which is greater than 75% of the VWAP. The VWAP calculation was performed internally.</p>
<p>6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements</p>	<p>N/A</p>
<p>6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements</p>	<p>See Annexure 1</p>
<p>7 +Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro</p>	<p>3 May 2016</p>

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rata entitlement issue must comply with the applicable timetable in Appendix 7A.

Cross reference: item 33 of Appendix 3B.

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	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	275,373,878	Fully paid ordinary shares

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	31	Convertible Notes
	15,185,185	Options exercisable at \$0.045 on or before 26 June 2018
	32,000,143	Options exercisable at \$0.025 on or before 3 May 2018
	10,511,180	Performance Rights

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Rank equally
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Part 2 - Pro rata issue

11 Is security holder approval required?	N/A
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12 Is the issue renounceable or non-renounceable?	N/A
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13 Ratio in which the +securities will be offered	N/A
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14 +Class of +securities to which the offer relates	N/A
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15 +Record date to determine entitlements	N/A
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16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
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17 Policy for deciding entitlements in relation to fractions	N/A
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18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A

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- | | | |
|----|---|-----|
| 31 | How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/A |
| 32 | How do security holders dispose of their entitlements (except by sale through a broker)? | N/A |
| 33 | +Issue date | N/A |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) +Securities described in Part 1*

****The Company is only applying for quotation of the Shares the subject of this Appendix 3B***

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

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Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

N/A

39 +Class of +securities for which quotation is sought

N/A

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

N/A

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

N/A

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	N/A	N/A

+ See chapter 19 for defined terms.

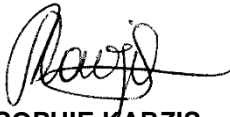
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Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



SOPHIE KARZIS
Company Secretary
3 May 2016

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	2,852,376,032 fully paid ordinary shares (pre-consolidation)
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p><i>*On 11 June 2015, the Company consolidated its 2,852,376,032 shares on issue into 95,079,251 shares</i></p> <ul style="list-style-type: none"> ▪ 5,142,490 shares issued on 26 June 2015 ▪ 45,000,000 shares issued on 26 June 2015 ▪ 13,851,852 shares issued on 26 June 2015 ▪ 2,222,222 shares issued on 26 June 2015 ▪ 10,555,555 shares issued on 26 June 2015 ▪ 2,222,222 shares issued on 20 November 2015 ▪ 36,150,000 shares issued on 21 December 2015 ▪ 4,000,000 shares issued on 15 April 2016 ▪ 50,000,000 shares issued on 3 May 2016
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	264,223,592
Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>

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Multiply "A" by 0.15	39,633,539
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of ⁺equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>3,150,000 shares issued on 15 April 2016</p> <p>32,000,143 options issued on 3 May 2016</p>
"C"	Nil
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
<p>"A" x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	39,633,539
<p>Subtract "C"</p> <p><i>Note: number must be same as shown in Step 3</i></p>	35,150,143
<p>Total ["A" x 0.15] – "C"</p>	<p>4,483,396</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	264,223,592
Step 2: Calculate 10% of “A”	
“D” <i>Note: this value cannot be changed</i>	0.10
Multiply “A” by 0.10	26,422,359
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	8,000,286 shares issued on 3 May 2016
“E”	8,000,286
Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	26,422,359
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	8,000,286
Total [“A” x 0.10] – “E”	18,422,073 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

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KNeoMedia Limited provides the following information as required under ASX Listing Rule 3.10.5A:

- (a) Dilution to existing shareholders as a result of the shares issued pursuant to the placement under Listing Rule 7.1A (**7.1A Placement**) (8,000,000 shares) is 3.55%.
- (b) The Company considered the alternative options for capital raising available to it in order to raise the funds for the purposes referred to in the Appendix 3B, and determined to raise such funds under the 7.1A Placement as this was considered to be a more efficient and expedient manner to raise the funds than through other alternatives.
- (c) No underwriting arrangements were entered into in relation to the 7.1A Placement.
- (d) The following fees were incurred in relation to the 7.1A Placement, payable to the broker who facilitated the 7.1A Placement (**Broker**):
 - i. a placement fee of 4% of the capital raised under the 7.1A Placement (total capital raised under the 7.1A Placement being \$112,000 for 8,000,000 shares);
 - ii. a management fee of 2% of the capital raised under the 7.1A Placement (total capital raised under the 7.1A Placement being \$112,000 for 8,000,000 shares); and

In addition, the Broker was issued 3,000,000 options (which are included in this Appendix 3B), for which the Broker paid a total sum of \$300 (price per option acquired: \$0.0001), as part consideration for facilitating the 7.1A Placement.